

SPOUSES TITUS L. ENDAYA AND GLENDA TRINIDAD; SPOUSES RICO L. ENDAYA AND NANETTE AQUINO; AND SPOUSES JOSEPHINE L. ENDAYA AND LEANDRO BANTUG, PETITIONERS, VS. COURT OF APPEALS AND...

G.R. No. 88113. October 23, 1992

Ponente: ROMERO, J.

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ROMERO, J.:

Assailed in this petition for review on certiorari is the decision of the Court of Appeals in CA-G.R. No. 15724 dated April 26, 1989[1] reversing the judgment of the Regional Trial Court of Tanauan, Batangas (Branch 6) in Civil Case No. T-430[2] and holding that private respondent is an agricultural lessee in the land of petitioner whose security of tenure must be respected by the latter.

The antecedent facts are as follows:

The Spouses Natividad Trinidad and Cesar San Diego owned a piece of agricultural land consisting of 20,200 square meters situated at San Pioquinto, Malvar, Batangas, devoted to rice and corn. As far back as 1934, private respondent Fideli has been cultivating this land as a tenant of the Spouses San Diego under a fifty-fifty (50-50) sharing agreement. This fact, petitioners do not dispute.

On May 2, 1974, a lease contract was executed between the Spouses San Diego and one Regino Cassanova for a period of four years from May 1974 up to May 1978.[3] The lease contract obliged Cassanova to pay P400.00 per hectare per annum and gave him the authority to oversee the planting of crops on the land.[4] Private respondent signed this lease contract as one of two witnesses.[5]

The lease contract was subsequently renewed to last until May 1980 but the rental was raised to P600.00. Again, private respondent signed the contract as witness.[6]

During the entire duration of the lease contract between the Spouses San Diego and Cassanova, private respondent continuously cultivated the land, sharing equally with Cassanova the net produce of the harvests.

On January 6, 1980, the Spouses San Diego sold the land to petitioners for the sum of P26,000.00. The sale was registered with the Register of Deeds of Batangas and a Transfer Certificate of Title was duly issued on January 7, 1981.[7] Private respondent continued to farm the land although petitioners claim that private respondent was told immediately after the sale to vacate the land.[8] In any case, it is undisputed that private respondent deposited with the Luzon Development Bank an amount of about P8,000.00 as partial payment of the landowner's share in the harvests for the years 1980 until 1985.[9]

Due to petitioners' persistent demand for private respondent to vacate the land, private respondent filed in April 1985 a complaint[10] with the Regional Trial Court of Tanauan, Batangas praying that he be declared the agricultural tenant of petitioners.

After trial, the trial court decided in favor of petitioners by holding that private respondent is not an agricultural lessee of the land now owned by petitioners. The dispositive portion of the RTC decision reads:

"WHEREFORE, judgment is hereby rendered dismissing plaintiff's complaint to be declared a tenant of the landholding consisting of 20,200 square meters, located at San Pioquinto, Malvar, Batangas, and owned by the defendants; ordering Pedro Fideli to vacate the landholding and deliver possession thereof to the defendants; and ordering the amount of P8,000.00 deposited under Account No. 2940029826 Civil Case No. T-430 to be withdrawn and delivered to the defendants. No pronouncement as to costs."

On appeal, the Court of Appeals reversed the RTC decision and declared private respondent to be the agricultural lessee of the subject landholding. Hence, this petition wherein private respondent's status as an agricultural lessee and his security of tenure as such are being disputed by petitioners.

Petitioners impugn the Court of Appeals' declaration that private respondent is an agricultural lessee of the subject landholding contending that when the original landowners, the Spouses San Diego, entered into a lease contract with Regino Cassanova, the agricultural leasehold relationship between the Spouses San Diego and private respondent, the existence of which petitioners do not dispute, was thereby terminated. Petitioners argue that a landowner cannot have a civil law lease contract with one person and at the same time have an agricultural leasehold agreement with another over the same land. It is further argued that because private respondent consented to the lease contract between the Spouses San Diego and Cassanova, signing as he did the lease agreement and the renewal contract as witness thereof, private respondent has waived his rights as an agricultural lessee.

These contentions are without merit.

R.A. No. 3844 (1963), as amended by R.A. No. 6839 (1971), which is the relevant law governing the events at hand, abolished share tenancy throughout the Philippines from 1971 and established the agricultural leasehold system by operation of law.[11] Section 7 of the said law gave agricultural lessees security of tenure by providing the following: "The agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished. The agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided." [12] The fact that the landowner entered into a civil lease contract over the subject landholding and gave the lessee the authority to oversee the farming of the land, as was done in this case, is not among the causes provided by law for the extinguishment of the agricultural leasehold relation.[13] On the contrary, Section 10 of the law provides:

"Sec. 10. Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc. - The agricultural leasehold relation under this code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor."

Hence, transactions involving the agricultural land over which an agricultural leasehold subsists resulting in change of ownership, e.g., sale, or transfer of legal possession, such as lease, will not terminate the rights of the agricultural lessee who is given protection by the law by making such rights enforceable against the transferee or the landowner's successor in interest.[14]

Illustrative of the legal principles outlined above is *Catorce v. Court of Appeals*[15] where the person holding a mortgage over the farm land subject of an agricultural leasehold took possession thereof pursuant to the mortgage and ousted the agricultural lessee. Upon complaint for reinstatement filed by the agricultural lessee, the then Court

of Agrarian Relations ordered the mortgagee to deliver possession over the land to the agricultural lessee but this decision was reversed by the Court of Appeals. In reversing the Court of Appeals' judgment and reinstating the Agrarian Court's decision, the Court, through Justice Melencio-Herrera, noted, among other considerations, that "tenants are guaranteed security of tenure, meaning, the continued enjoyment and possession of their landholding except when their dispossession had been authorized by virtue of a final and executory judgment, which is not so in the case at bar." [16] Implicit in the decision is the recognition that the transfer of possession to the mortgagee did not terminate the agricultural leasehold nor prejudice the security of tenure of the agricultural lessee.

Closer to, although not identical with the factual setting of the case at bar is *Novesteras v. Court of Appeals*. [17] Petitioner in said case was a share tenant of the respondent over two parcels of land. Respondent entered into a contract of civil lease with Rosendo Porculas for a term of three years. Porculas did not farm the land himself but left it to petitioner to till the land. After the expiration of the lease between respondent and Porculas, petitioner entered into an agreement denominated as a contract of civil lease with respondent. On expiration of this lease contract, respondent denied petitioner possession over the land. Resolving the rights and obligations of the parties, the Court, through Justice Paras, held that the petitioner therein became an agricultural tenant of respondent by virtue of R.A. No. 3844 (1963), as amended by R.A. No. 6839 (1971). The lease contract between the respondent and Porculas did not terminate the agricultural leasehold relationship between petitioner and respondent. If at all, the said lease agreement, coupled by the fact that Porculas allowed petitioner to continue cultivating in his capacity as tenant of the subject landholding, served to strengthen petitioner's security of tenure as an agricultural tenant of the farmland in question. Accordingly, the subsequent contract between petitioner and respondent denominated as a contract of civil lease was held by the Court to be in fact an agricultural leasehold agreement.

Again, in *Coconut Cooperative Marketing Association, Inc. (COCOMA) v. Court of Appeals*, [18] it was held that the agricultural leasehold is preserved, notwithstanding the transfer of the legal possession of the subject landholding, with the, transferee, COCOMA in that case, being accountable to the agricultural lessees for their rights. The Court, through Justice Padilla, summarized the rule as follows:

"There is also no question that, in this case, there was a transfer of the legal possession of the land from one landholder to another (Fule to petitioner COCOMA). In connection therewith, Republic Act 3844, Sec. 10 states:

'SEC. 10. Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc. - The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholdings, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.'

Further, in several cases, this Court sustained the preservation of the landholder-tenant relationship, in cases of transfer of legal possession:

'x x x in case of transfer or in case of lease, as in the instant case, the tenancy relationship between the landowner and his tenant should be preserved in order to insure the well-being of the tenant or protect him from being unjustly dispossessed by the transferee or purchaser of the land; in other words, the purpose of the law in question is to maintain the tenants in the peaceful possession and cultivation of the land or afford them protection against unjustified dismissal from their holdings.' (*Primero v. CAR*, 101 Phil. 675);

'It is our considered judgment, since the return by the lessee of the leased property to the lessor upon the expiration of the contract involves also a transfer of legal possession, and taking into account the manifest intent of the lawmaking body in amending the law, i.e., to provide the tenant with security of tenure in all cases of transfer of legal possession, that the instant case falls within and is governed by the provisions of Section 9

of Republic Act 1199, as amended by Republic Act 2263.' (Joya v. Pareja, 106 Phil. 645).

'x x x that the tenant may proceed against the transferee of the land to enforce obligation incurred by the former landholder in relation to said land, for the reason that such obligation . . . falls upon the assignee or transferee of the land' pursuant to Sec. 9 abovementioned. Since respondents are in turn free to proceed against the former landholder for reimbursement, it is not iniquitous to hold them responsible to the tenant for said obligations. Moreover, it is the purpose of Republic Act 1199, particularly Sec. 9 thereof, to insure that the right of the tenant to receive his lawful share of the produce of the land is unhampered by the transfer of said land from one landholder to another.' (Almarinez v. Potenciano, 120 Phil. 1154.)."[19]

In the instant case, private respondent has been cultivating the subject farm landholding with a fifty-fifty (50-50) sharing arrangement with the Spouses San Diego, petitioners' predecessors-in-interest. The passage of R.A. 6839 in 1971, amending R.A. 3844 (1963), secured to private respondent all the rights pertaining to an agricultural lessee. The execution of a lease agreement between the Spouses San Diego and Regino Cassanova in 1974 did not terminate private respondent's status as an agricultural lessee. The fact that private respondent knew of, and consented to, the said lease contract by signing as witness to the agreement may not be construed as a waiver of his rights as an agricultural lessee. On the contrary, it was his right to know about the lease contract since, as a result of the agreement, he had to deal with a new person instead of with the owners directly as he used to. No provision may be found in the lease contract and the renewal contract even intimating that private respondent has waived his rights as an agricultural lessee. Militating against petitioners' theory that the agricultural leasehold was terminated or waived upon the execution of the lease agreement between the San Diegos and Cassanova is the fact that the latter desisted from personally cultivating the land but left it to private respondent to undertake the farming, the produce of the land being shared between Cassanova and private respondent, while the former paid P400.00 and later P600.00 per hectare per annum to the San Diegos, as agreed upon in the lease contract.

Petitioners, however, insist that private respondent can no longer be considered the agricultural lessee of their farm land because after they purchased the land from the Spouses San Diego in 1980, private respondent did not secure their permission to cultivate the land as agricultural lessee.

It is true that the Court has ruled that agricultural tenancy is not created where the consent of the true and lawful owners is absent.[20] But this doctrine contemplates a situation where an untenanted farmland is cultivated without the landowner's knowledge or against her will or although permission to work on the farm was given, there was no intention to constitute the worker as the agricultural lessee of the farm land.[21] The rule finds no application in the case at bar where the petitioners are successors-in-interest to a tenanted land over which an agricultural leasehold has long been established. The consent given by the original owners to constitute private respondent as the agricultural lessee of the subject landholding binds private respondents who, as successors-in-interest of the Spouses San Diego, step into the latter's shoes, acquiring not only their rights but also their obligations.[22]

Contradicting their position that no agricultural leasehold exists over the land they acquired from the Spouses San Diego, petitioners also pray for the termination of the tenancy of private respondent allegedly due to: (a) non-payment of the agricultural lease rental; and (b) animosity between the landowners and the agricultural lessee. The Court, however, observes that nowhere in the petitioners' Answer to private respondent's Complaint or in the other pleadings filed before the trial court did petitioners allege grounds for the termination of the agricultural leasehold. Well-settled is the rule that issues not raised in the trial court cannot be raised for the first time on appeal.[23]

In fine, the Court, after a painstaking examination of the entire records of the case and taking into account the applicable law, as well as the relevant jurisprudence, rules that private respondent is the agricultural lessee over

the land owned by petitioners. As such, private respondent's security of tenure must be respected by petitioners.

The Court, however, notes from the records of the case that private respondent has unilaterally decided to pay only 25% of the net harvests to petitioners.[24] Since the agreement of private respondent with the Spouses San Diego, the original owners, was for a fifty-fifty (50-50) sharing of the net produce of the land, the same sharing agreement should be maintained between petitioners and private respondent, without prejudice to a renegotiation of the terms of the leasehold agreement.

WHEREFORE, premises considered, the Petition is DISMISSED and the decision of the Court of Appeals AFFIRMED. Private respondent is hereby ordered to pay the back rentals from 1980 until 1992 plus interest at the legal rate. An accounting of the production of the subject landholding is to be made by private respondent to the Regional Trial Court of Tanauan, Batangas which shall determine the amount due to petitioners based on the rate ordered above.

SO ORDERED.

Gutierrez, Jr., (Chairman), Bidin, Davide, Jr., and Melo, JJ., concur.

[1] Penned by Associate Justice Alfredo M. Marigomen with the concurrence of Associate Justices Josue N. Bellosillo and Alicia V. Sempio-Diy.

[2] Penned by Judge Flordelis Ozaeta Navarro.

[3] Annex "D" to the Petition; Rollo, p. 39.

[4] Ibid.

[5] Rollo, p. 40.

[6] Annex "E" to the Petition; Rollo, p. 41.

[7] Annex "A" to the Petition; Rollo, p. 33.

[8] Petition, p. 3; Rollo, p. 8.

[9] Annex "J" to the Petition; Rollo, p. 66.

[10] Annex "F" to the Petition; Rollo, p. 42.

[11] Sections 4 and 5 of R.A. No. 3844 (1963), as amended by R.A. No. 6839 (1971), provide:

"Sec. 4. Abolition of Agricultural Share Tenancy. - Agricultural share tenancy, as herein defined, is hereby declared to be contrary to public policy and shall be abolished..."

"Sec. 5. Establishment of Agricultural Leasehold Relation. - The agricultural leasehold relation shall be established by operation of law in accordance with Section four of this Code, in other cases, either orally or in writing, expressly or impliedly."

[12] The latest agrarian reform law, R.A. No. 6657 (1988), otherwise known as the Comprehensive Agrarian Reform Law of 1988, provides for the continuation and maintenance of the right to security of tenure of agricultural lessees acquired prior to the passage of the law. Section 6, paragraph 3 of the Act provides: "In all cases, the security of tenure of the farmers or farmworkers on the land prior to the approval of this Act shall be respected."

[13] Section 8 of R.A. No. 3844, as amended, provides:

"Sec. 8. Extinguishment of Agricultural Leasehold Relation. – The agricultural leasehold relation established under this Code shall be extinguished by:

- (1) Abandonment of the landholding without the knowledge of the agricultural lessor;
- (2) Voluntary surrender of the landholding by the agricultural lessee, written notice of which shall be served three months in advance; or
- (3) Absence of the persons under Section nine to succeed to the lessee in the event of death or permanent incapacity of the lessee."

[14] See *Tanalgo v. Court of Appeals*, G.R. No. L-34508, April 30, 1980, 97 SCRA 421. See also *Primero v. CAR*, 101 Phil. 675 (1957).

[15] G.R. No. L-59762, May 11, 1984, 129 SCRA 210.

[16] *Id.*, at 215. Citations omitted.

[17] G.R. No. L-36654, March 31, 1987, 149 SCRA 47.

[18] G.R. Nos. L-46281-83, August 19, 1988, 164 SCRA 568.

[19] *Id.*, at 584-585.

[20] *Berenguer v. Court of Appeals*, G.R. Nos. L-60287, August 17, 1988, 164 SCRA 431.

[21] For an illustration of the last mentioned situation, see *Tuazon v. Court of Appeals*, G.R. Nos. L-60287, August 17, 1988, 164 SCRA 431.

[22] *Tanalgo v. Court of Appeals*, *supra*, note 14.

[23] *Matienzo v. Servidad*, G.R. No. 28135, September 10, 1981, 107 SCRA 276; *Reparations Commission v. Visayan Packing Corporation*, G.R. No. 30712, February 6, 1991, 193 SCRA 531.

[24] RTC Decision, p. 6; Rollo, p. 105.

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